



Point International Ltd (PCOM)

Final Pitch

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Point International Ltd is a leader in providing loyalty e-commerce to the loyalty industry, connecting loyalty programs, third party brands and customer across a global transaction platform.

Business Description

Loyalty Currency Retailing (LCR)

- Purchase points at wholesales rate and resell at retail rate.
- ~15% Gross Margin

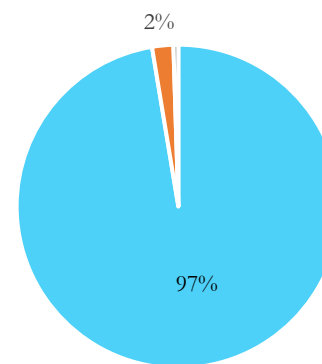
Points Travel

- White label platform enabling rewards and redemption with the broader loyalty industry.
 - Hotel bookings and car rentals online
- ~94% Gross Margin

Platform Partners

- Provides a cross currency network from earnings and redeeming point.
- ~92% Gross Margin

Segments



■ LCR ■ Platform Partners ■ Points Travel

Current Price	\$12.10
Market Cap	\$157.8 MM
Sales	\$357.1 MM

5-Yr CAGR 2013-2018

Revenue	11%
Gross Profit Dollars	10%
Adj EBITDA	16%
Net Income	17%

Offices



Summary

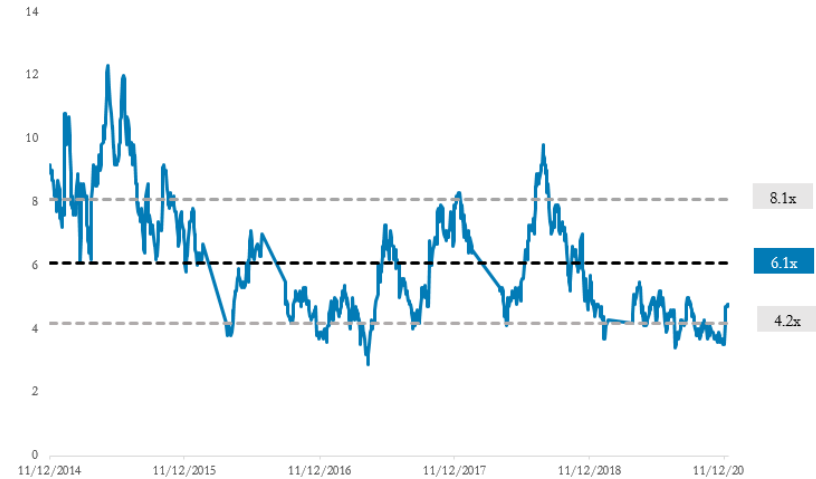
Points International mainly buys and sells mileage (loyalty points) and earn the spread.

- Business Model with Sticky Customers
- Geographic Expansion
- Value from Data Capabilities

Risks

- Internal Systems in Alliances/Airlines
 - Buy vs Build
- Data Protection Regulations
- Management Execution
 - Hyper-personalized

Historical EV/EBITDA



Our Valuation

- Current Price: \$12.10
- Price Target: **\$15.86**
 - 31% Upside
- Implied Multiple (BF EV/EBITDA): **6.7x**
 - Current Multiple (EV/EBITDA): 4.4x
 - 5-Yr Historical: 6.1x

Point International Ltd

1. Company & Industry Overview

2. Why This Opportunity Exists

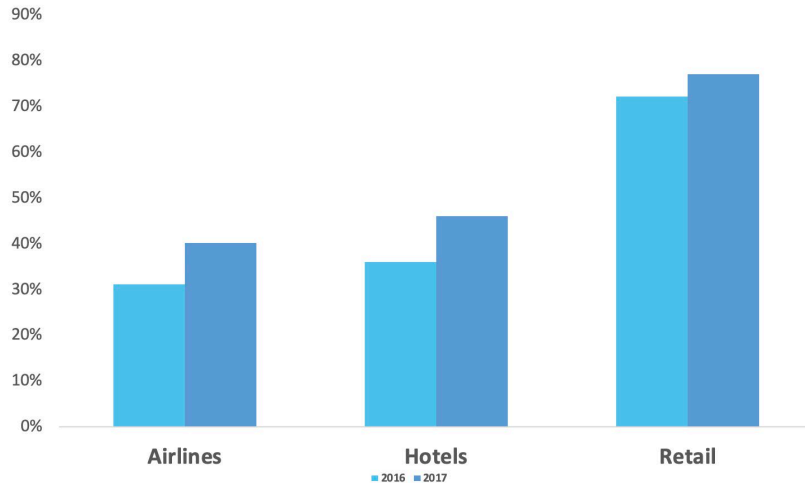
3. Investment Thesis & Risks

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Consumer Participation

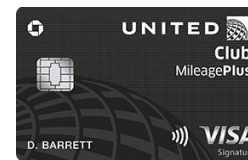


Industry Dynamics

- Programs to encourage customers to make decisions that may not always be the cheapest or best option
- Loyalty Program Currency* is purchased from loyalty program partners and sold to end consumers
- Other involved parties: banks, credit card partners, hotels, car rental providers

Industry Trends

- Airlines are selling more miles to third parties
- Shift in the way unspent and expired miles (15-30%) are viewed
- Growing consumer interest in being able to redeem rewards more easily



Loyalty Industry

Bargaining Power of Buyers

HIGH

Loyalty program providers act as the customer by receiving loyalty services from PCOM

Large providers can choose to consolidate, giving them more scale to pursue in-house substitutes

Bargaining Power of Suppliers

MEDIUM

Loyalty program providers act as the supplier by providing PCOM with loyalty currency

Suppliers can sell to banks and other point purchasers

No incentive to raise mile prices since the provider ultimately becomes the customer

Threat of New Entrants

LOW

Integrated systems in the loyalty industry require firms to give companies access to their customer base

Typically takes years of working alongside one another to replicate a high level of stickiness

Threat of Substitutes

MEDIUM

Customers have the option to switch to an internal loyalty management system

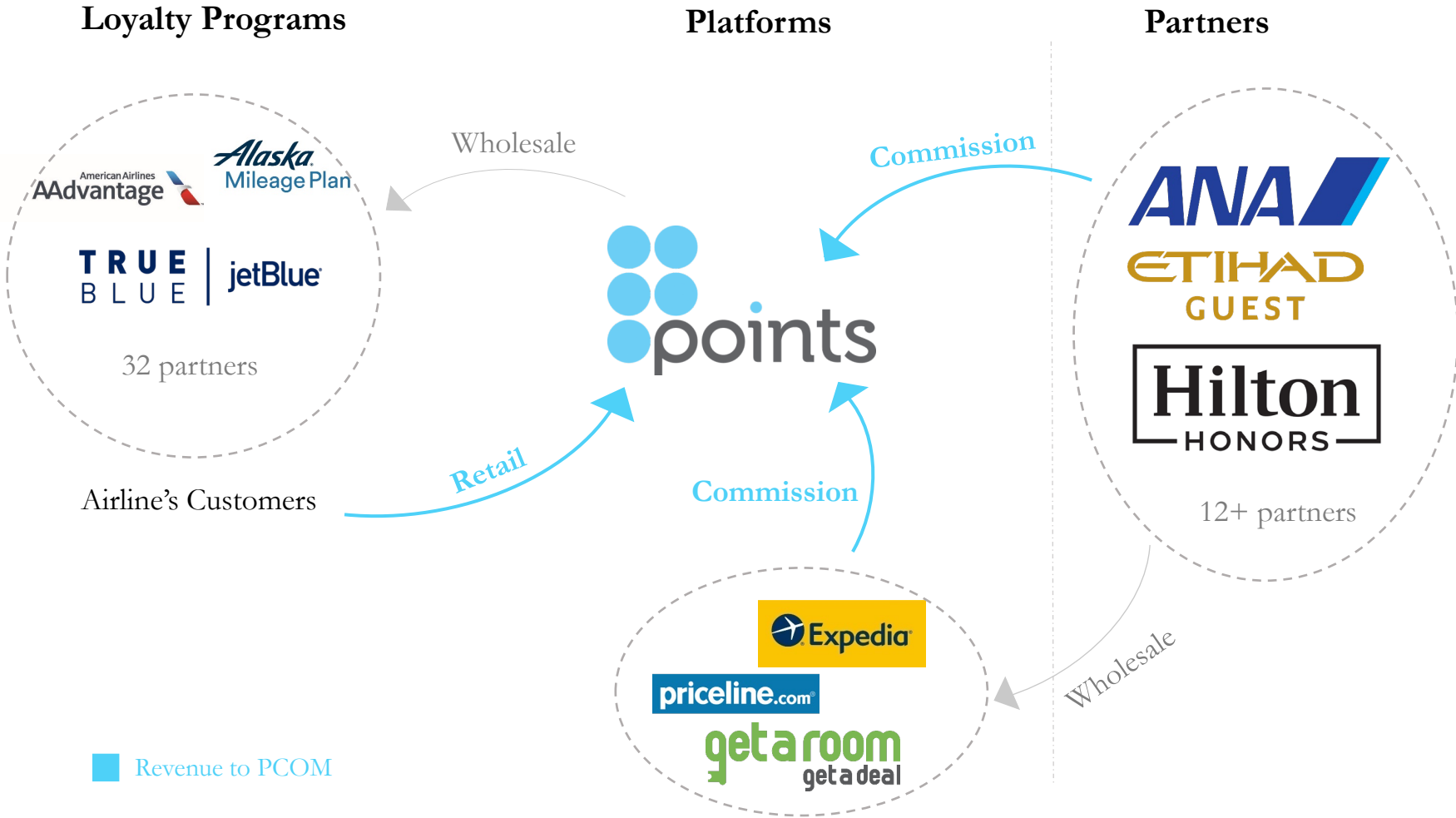
Internal systems are outclassed in terms of features and performance

Industry Rivalry

LOW

Loyalty management software providers are generally limited to loyalty system management

Other loyalty management providers don't participate in the arbitrage of loyalty currency



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Why This Opportunity Exists

Common View

- Loyalty Industry has little coverage
 - Complicated mechanics
- PCOM is a microcap
 - 2 analysts on coverage for PCOM
- Slowed down growth/ margin pressure
 - Pass over by quant fund

Variant View

- Loyalty Industry is huge
 - ~50B in size – almost the same as Gaming industry
- Misleading revenue recognition
 - Different contract mix + timing
- Management first long-term guidance
 - 5-Year Investment Horizon
 - Consistently meeting targets

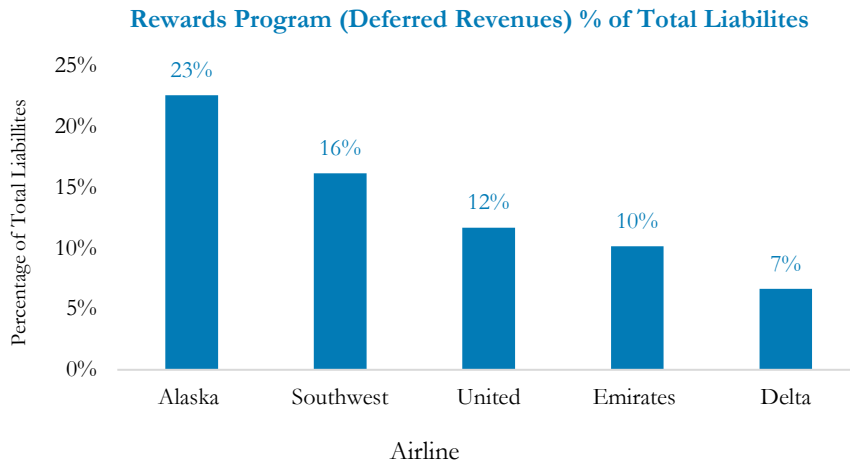


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Liability Management

- Airlines & Hotels are very capital intensive
- Loyalty points/miles accruals are a significant portion of liabilities
- Airlines are willing to give up the transaction-level margin to increase the number of points/miles redemptions
- Points can increase more transactions to be enacted, allowing airlines to have a lower stated liability number on balance sheet



No Incremental Costs in Operations

- Mainly fixed costs to fly a plane and operate a hotel room, so the incremental increase in revenues adds little incremental variable costs
- Points entice members to redeem points, revenue instantly increases without adding any additional costs
- Marginal revenue for the discounted room/seat is far greater than it being vacant

Points' Competitive Advantage

- Has the Loyalty Commerce Platform (data moat) to effectively better understand loyalty member's redemption behavior
- As first mover in the industry and two decades of experience, Points has the innovative and latest services to cater to loyalty members
- Offers more engagement and redemption options, thus more points burned

Sticky Business Model

- Airlines, simply do not know how to efficiently extract the most value from their members
- Loyalty members want a comprehensive platform to exchange their points/miles, and not have to use their points on just flying and upgraded seats
- Guaranteed revenues is an attractive proposition to airlines
- Even if Points falls short on these guarantees, it can just purchase these unsold points and re-sell them for future uses
- In times of a recession, cash-strapped consumers will more than likely opt in for points/miles for their travel needs



Compelling Redemption Verticals

- Retail
 - Loyalty offers & perks influence consumer behavior instantly
 - Lyft & Hilton Rewards
 - Recent investments adding ease for retailers to gain access to LCR
- Financial Services
 - Existing partnerships with Chase & Citi
 - The biggest purchasers of miles are financial banks who manages hundreds of loyalty programs
 - Proven applicability to exchange bank card points/miles for the extensive loyalty program options on Points



Amadeus IT Group Partnership

- Located in Madrid, Spain
- Connects airlines, hotels, railways, cruise lines, and more with travel agents and booking packages for corporate and consumer clients
 - 484 airlines booking services, 40,000 car rental companies, 17 cruise lines, 33 ferry, and 90 rail operators
 - Partnered with 233 tour operators and 421,000 hotel properties and 310 hotel chains
- Ability to leverage global presence and relationships with 150 airlines
- Integrate services into AMS offerings
- Opportunity to co-develop new services and enhance current offerings

amADEUS

Your technology partner

Acquisitions

- PointsHound, Accruity Inc.
 - Earn air miles through hotel bookings
- MilePoint → InsideFlyer
 - "Travel manager" and frequent flyer informative dashboard
- Crew Marketing International
 - Develops online marketing applications and e-commerce solutions

Growth Strategy Transition

- Historically, management took an opportunistic growth approach, but has switched to a more proactive one
- High cash balance, no debt

Geographic Expansion

- North America & Europe
 - Broadest partner base
 - Main focus is on cross-selling services
- Middle East
 - Large carriers & financial services opportunity
 - Growing footprint
- South America & APAC
 - Opportunity in both new verticals

New Verticals

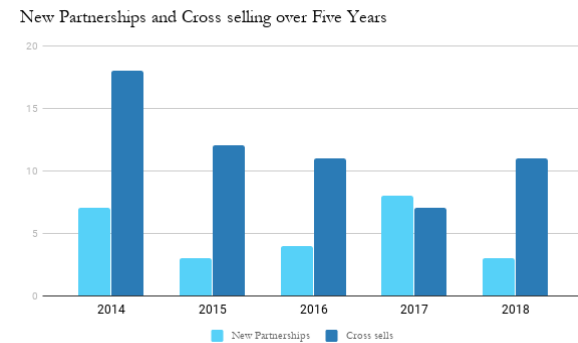
- Financial Services
 - Over 664M member base
 - Significant opportunity in Redemption and Accrual based products
 - Exiting partnerships with Chase and Citi
- Retail
 - Value proposition for retailers to add multifaceted loyalty program
 - Existing use: Groupon, Earn Mall services

New Partnerships



Proven Past

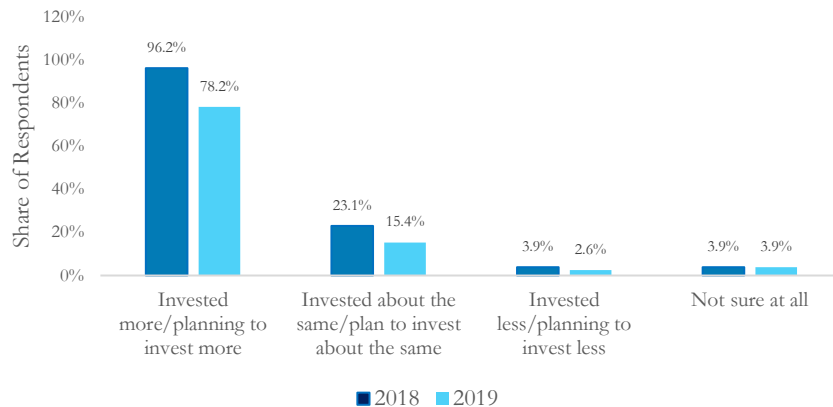
- 5YR average of 5 New Partners and 12 cross sells



Data Advantage

- PCOM has a significant advantage when it comes to leveraging partner data to create value for programs
- Have relationships with more than 60+ loyalty programs gives them unprecedented access to back-end user data
- Lack of competition, breadth of partnerships within airlines contributes to a sizable moat

Change in Data Driven Marketing Spending in the United States 2018-2019



Goals

- Right Customer



- Right Time



- Right Offer



- Right Price



Capabilities

- Data led Marketing
 - Identification
- Decision Intelligence
 - Offer generation
- Event Triggers
- Dynamic & Real Time

Major Airline: Pain Points

- Major airline was looking to unlock value from their basic loyalty program
- Was looking to better engage members on earn and burn
- Improve marketing efficiency

PCOM Solutions

- Implemented their 5 primary solutions in 12 weeks
 - Speed and breadth
- Customer insights
- **4x revenue in 12 months**

Major Hotel: Pain Points

- Top tier hotel was looking to improve engagement
 - 3 join & 2 leave on average
- Increase the member speed of earning/redeeming first reward
- Increase redemption of those redeeming 1/2 times per year

PCOM Solutions

- 32% YOY growth in first-time buyers
- 25% YOY increase in first-time redemptions
- 36% YOY increase in repeat buyers
- 65% decrease in required customer interactions

Alliance Domination

- SkyTeam
 - AirFrance, KLM, Delta
- One World
 - American, British Airways, Cathay Pacific
- Star Alliance
 - United, Lufthansa, Air China



Emergence of Internal Systems

- All of the 3 major alliances have their own internal redemption and transferring programs
 - Only exist for member Airlines
- Major domestic airlines have their own point transfer programs
 - JetBlue --> Emirates, Hawaiian
 - Southwest with Partner Hotels

Strong Performance

- This risk, however, has not yet played out given PCOM's business structure
- Extremely high retention rate
 - 95%
- Airlines end up preferring PCOM
 - Guaranteed Revenue
 - Increased performance/functions

Current Data Regulations

- PCI Level 1
- GDPR
 - Applies in EU, those who gather personal data are obligated to protect it from misuse and exploitation
- WCAG

Already Meeting Standards

- While risk exists due to the uncertainty of future regulations, PCOM is still well positioned
- Already incurred expenses of past regulations
- If regulations are not adopted, they are at a disadvantage because they have already taken on expenses of them

Uncertain Future

- CCPA
 - Privacy Law in California effective in January 2020
 - Set to be blueprint for future US Privacy Laws
- If GDPR is revamped, complying could be costly
- If CCPA like program is enacted in US more costs will be accrued



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Assumptions

Base Case (+31%)

- Management Guidance as proxy
 - Gross Profit Dollars ~90M+ by 2022
 - Adjusted EBITDA ~40M+ by 2022
 - Effective Margin ~31% - 40% by 2022
- Our Assumptions
 - Gross Profit Dollars ~68M by 2022
 - Gross Profit Dollars growth ~6%
 - Consistent with 2019 growth
 - Historical ~10%
 - Adjusted EBITDA ~21M by 2022
 - Effective Margin ~31%

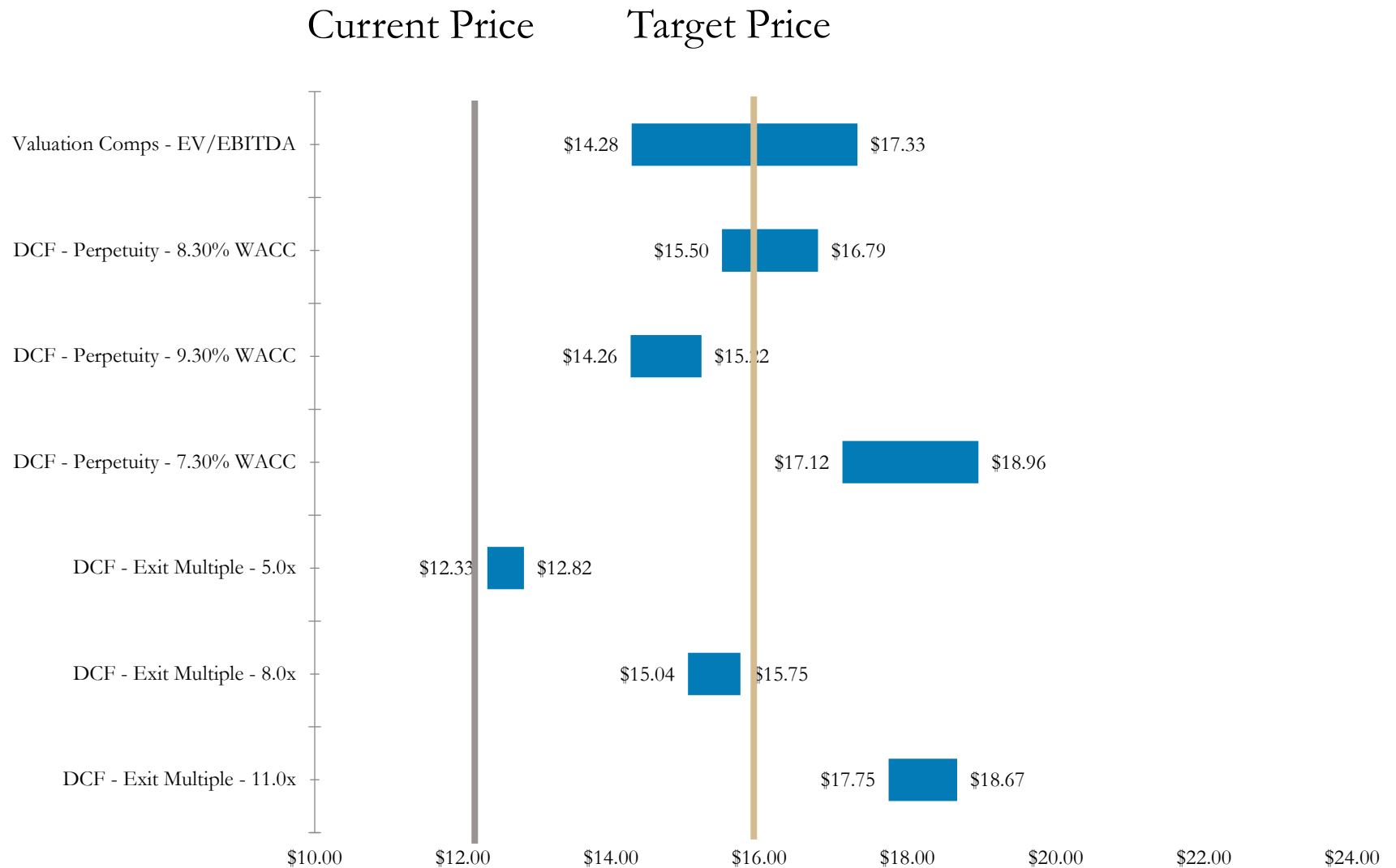
Worst Case (-64%)

- Assume no more partners added
- Company rolls off all existing contract
- No further cross-selling

Discounted Cash Flow

Perpetuity Approach	
Long term growth rate	1.5%
Final forecast year FCft+1	10
Implied Exit Multiple (EV/EBITDA)	8.8x
Terminal value	152
Present value of terminal value	109
Present value of stage 1 cash flows	51
Enterprise value	160

Multiple Approach	
Terminal year EBITDA	17
Terminal value EBITDA multiple	8.0x
Implied Perpetuity Growth rate	
Terminal value	138
Present value of terminal value	100
Present value of stage 1 cash flows	51
Enterprise value	150



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Checklist

- | | | |
|-----------------------------------|--|---|
| ▪ Understandable Business? | ▪ Yes, but very niche | ? |
| ▪ Cheap? | ▪ Yes, trading at 37% | ✓ |
| ▪ Overlooked? | ▪ Yes, only 2 analysts | ✓ |
| ▪ Safe? | ▪ Uncertain landscape but countercyclical business | ? |
| ▪ Good? | ▪ Strong historical performance | ✓ |

Summary

- Efficient Liability & Cost Management
- Economic Engine for Revenue Growth
- Organic Growth
- Geographic Expansion with New Verticals
- Data Moat and Capabilities

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Loyalty Commerce Retailing: Case Study

Member has 90,00 miles, but needs 100,000 for a “free” flight



Buys 10,000 miles from Points online/mobile for \$300



Points deposits miles real-time via LCP

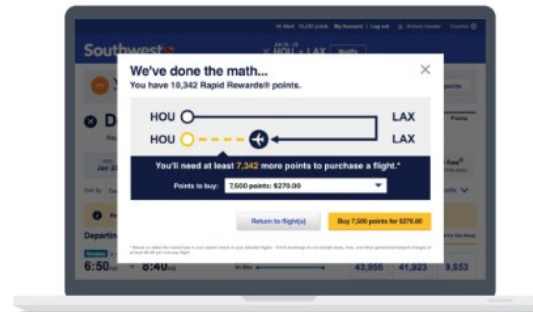


Points pays program \$255 for Miles



Points earns \$45 Gross Profit

Frequent Flyers Will Pay Anything to Fly For FREE



LOYALTY COMMERCE PLATFORM



Loyalty Program Gets:

- Revenue Guarantee
- Full capabilities of Loyalty Commerce Platform + Data led Marketing with no incremental resources needed
- Ongoing product development
- Industry leading fraud/gaming protection

Point Gets:

- Wholesale price with built in extensive marketing access at no additional cost
- Aggregated data access
- Long term contract
- Economics are for example purposes only

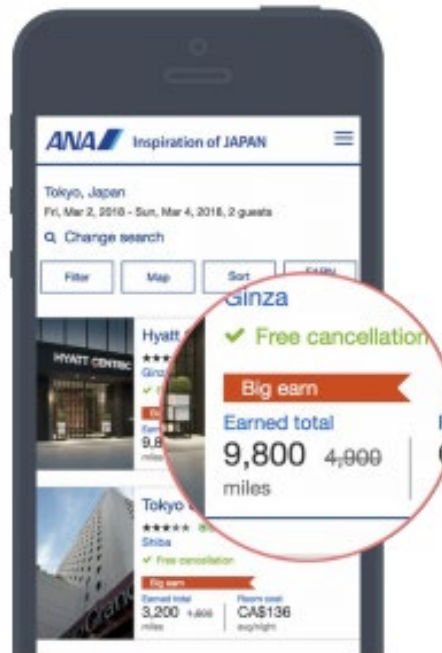
Points Travel: Sample Transaction

Consumer Pays Retail Room Rate	\$800
<hr/>	
Points Wholesale Room Cost	- \$550
<hr/>	
Loyalty Program Revenue (Sale)	- \$200
<hr/>	
Points Revenue	\$50

**BENEFITS TO
LOYALTY MEMBER**

9,800

Incentive Miles



Loyalty Program Gets:

- Extensive wholesale supply from industry leaders
- Membership engagement
- Significant profit margin (revenue @ ~2¢/mile)
- Replaces lower affiliate economics

Point Gets:

- Another service embedded with an LP-more cross sell opportunities
- Attractive per-transaction economics after initial acquisition spend
- Additional data through platform to inform all marketing

Platform Partners: Sample Transaction

Consumer Purchase \$100

Loyalty Program Revenue (Mileage Sale) - \$10

Merchant Revenue - \$88

Points Revenue \$2

**BENEFITS TO
LOYALTY MEMBER**

500

Incentive Miles

5x better bonus vs.
typical offer



Loyalty Program Gets:

- Membership engagement
- High margin revenue (@ ~2¢/mile)
- Access to new distribution/marketing channels
- No BD/legal/ops resources required

Point Gets:

- API access to all participating Points Loyalty Partners with no BD/Legal/acc't mgmt. resources required
- Variable marketing spend in line with other affiliate deals
- Engaged target membership bases driven by offers

Valuation Comps

Relative Valuation for Points International Ltd

Date: 11/21/2019
Currency: USD

Company Information				Market Valuation					Valuation Metrics (Blended Forward)					Beta Calculation				
Ticker	Country	Identifier	Firm	Share price	Shares Out	Market Cap	Net Debt	Preferred Equity & NCI	Enterprise Value	EV/EBITDA	EV/EBIT	P/E	EV/S	P/B	Raw Beta	Tax rate	Unlevered Beta	
PCOM	US	PCOM US EQUITY	Points International Ltd	\$12.09	13.3	\$161.4	(\$69.1)	\$0.0	\$92.2	4.5x	N/A	17.9x	0.2x	3.9x	0.41	28.49%	0.59	
Loyalty and Database Marketing																		
AIM	CN	AIM CN EQUITY	Aimia Inc	\$2.95	152.3	\$449.6	(\$58.7)	\$0.0	\$390.8	N/A	N/A	N/A	N/A	1.2x	0.8x	0.69	21.00%	0.77
ADS	US	ADS US EQUITY	Alliance Data Systems Corp	\$101.30	53.4	\$5,409.4	\$21,262.9	\$0.0	\$26,672.3	15.0x	N/A	5.2x	3.9x	2.3x	1.27	21.30%		
Top Quartile						\$4,169.5			\$20,102.0	15.0x	#NUM!	5.2x	3.2x	1.9x	1.12		0.77	
Mean						\$2,929.5			\$13,531.6	15.0x	#DIV/0!	5.2x	2.6x	1.5x	0.98		0.77	
Median						\$2,929.5			\$13,531.6	15.0x	#NUM!	5.2x	2.6x	1.5x	0.98		0.77	
Bottom Quartile						\$1,689.5			\$6,961.2	15.0x	#NUM!	5.2x	1.9x	1.2x	0.83		0.77	

Online Travel Agencies (OTAs)																	
TRIP	US	TRIP US EQUITY	TripAdvisor Inc	\$28.06	137.9	\$3,869.5	(\$670.0)	\$0.0	\$3,199.51	6.9x	8.8x	15.4x	2.9x	3.3x	1.58	34.68%	1.78
EXPE	US	EXPE US EQUITY	Expedia Group Inc	\$94.70	147.1	\$13,933.6	\$1,246.0	\$1,577.0	\$16,756.59	11.3x	25.7x	13.7x	1.9x	2.7x	1.08	17.94%	1.01
BKNG	US	BKNG US EQUITY	Booking Holdings Inc	\$1,873.31	45.6	\$85,482.2	(\$6,043.0)	\$0.0	\$79,439.20	12.4x	13.1x	16.8x	5.4x	13.3x	1.08	17.31%	1.15
HOC	GR	HOC GR EQUITY	HolidayCheck Group AG	\$2.79	58.3	\$162.6	(\$24.4)	\$0.0	\$138.22	21.8x	9.9x	51.4x	0.8x	0.9x	1.00	30.99%	1.12
Top Quartile						\$49,707.9			\$48,097.9	11.8x	19.4x	16.1x	4.1x	8.3x	1.33		1.46
Mean						\$34,428.4			\$33,131.8	10.2x	15.9x	15.3x	3.4x	6.4x	1.25		1.31
Median						\$13,933.6			\$16,756.6	11.3x	13.1x	15.4x	2.9x	3.3x	1.08		1.15
Bottom Quartile						\$8,901.6			\$9,978.1	9.1x	11.0x	14.5x	2.4x	3.0x	1.08		1.08

Industry Beta	
Average industry Unlevered Beta	1.31

Competitive Analysis for Points International Ltd

Date: 11/21/2019
Currency: USD

Company Information				General				Margins				Returns				Working Capital				
Ticker	Country	Identifier	Firm	1-Year Rev Growth	3-Year Rev Growth	5-Year Rev CAGR	Debt/Equity	Gross Margin	EBITDA Margin	Operating Margin	Profit Margin	ROE	ROA	ROC	ROIC	DSO	DIO	DPO	CCC	
PCOM	US	PCOM US EQUITY	Points International Ltd	7.9%	8.3%	13.2%	0.0%	14.3%	3.6%	2.7%	2.1%	28.7%	10.4%	27.4%	27.2%	13.1 Days	#N/A	N/A	#N/A	N/A

Loyalty and Database Marketing																					
AIM	CN	AIM CN EQUITY	Aimia Inc	-28.0%	-47.8%	-36.9%	NA	79.8%	40.6%	-80.6%	-43.1%	NA	46.5%	NA	-41.7%	#N/A	N/A	N/A	#N/A	N/A	-638.2 Days
ADS	US	ADS US EQUITY	Alliance Data Systems Corp	0.9%	6.6%	12.5%	1079.9%	45.8%	30.6%	24.3%	12.4%	24.3%	1.6%	NA	4.6%	38.9 Days	29.7 Days	60.2 Days	9.8 Days		

Top Quartile	-6.3%	-7.0%	0.2%	1079.9%	71.3%	38.1%	-1.9%	-1.5%	24.3%	35.3%	#NUM!	-6.9%	38.9 days	29.7 days	60.2 days	-152.2 days
Mean	-13.5%	-20.6%	-12.2%	1079.9%	62.8%	35.6%	-28.1%	-15.4%	24.3%	24.1%	#DIV/0!	-18.5%	38.9 days	29.7 days	60.2 days	-314.2 days
Median	-13.5%	-20.6%	-12.2%	1079.9%	62.8%	35.6%	-28.1%	-15.4%	24.3%	24.1%	#NUM!	-18.5%	38.9 days	29.7 days	60.2 days	-314.2 days
Bottom Quartile	-20.8%	-34.2%	-24.6%	1079.9%	54.3%	33.1%	-54.4%	-29.2%	24.3%	12.9%	#NUM!	-30.1%	38.9 days	29.7 days	60.2 days	-476.2 days

Online Travel Agencies (OTAs)																					
TRIP	US	TRIP US EQUITY	TripAdvisor Inc	3.8%	2.7%	11.3%	0.0%	94.7%	18.5%	11.3%	7.0%	7.6%	5.0%	7.4%	6.7%	52.8 Days	#N/A	N/A	75.4 Days	#N/A	N/A
EXPE	US	EXPE US EQUITY	Expedia Group Inc	11.6%	19.2%	18.7%	65.4%	82.5%	15.3%	6.4%	3.6%	11.8%	2.5%	6.1%	5.7%	76.5 Days	#N/A	N/A	323.8 Days	#N/A	N/A
BKNG	US	BKNG US EQUITY	Booking Holdings Inc	14.6%	16.4%	16.4%	98.5%	NA	39.7%	36.8%	27.5%	54.6%	18.9%	27.1%	26.5%	42.8 Days	#N/A	N/A	#N/A	N/A	N/A
HOC	GR	HOC GR EQUITY	HolidayCheck Group AG	14.2%	10.1%	NA	NA	NA	NA	NA	1.4%	-3.1%	-2.5%	NA	NA	69.7 Days	#N/A	N/A	#N/A	N/A	N/A

Top Quartile	13.1%	17.8%	17.5%	81.9%	91.6%	29.1%	24.0%	17.3%	33.2%	12.0%	17.2%	16.6%	64.7 days	#NUM!	261.7 days	#NUM!
Mean	10.0%	12.8%	15.5%	54.6%	88.6%	24.5%	18.2%	12.7%	24.7%	8.8%	13.5%	13.0%	57.4 days	#DIV/0!	199.6 days	#DIV/0!
Median	11.6%	16.4%	16.4%	65.4%	88.6%	18.5%	11.3%	7.0%	11.8%	5.0%	7.4%	6.7%	52.8 days	#NUM!	199.6 days	#NUM!
Bottom Quartile	7.7%	9.5%	13.9%	32.7%	85.5%	16.9%	8.8%	5.3%	9.7%	3.8%	6.8%	6.2%	47.8 days	#NUM!	137.5 days	#NUM!



Rob MacLean – Chief Executive Officer

Rob is a founder of the Corporation since February 2000. With more than 12 years in the airline and loyalty industry, Rob is an active member of the global loyalty community. He is also a member of Prodigy Ventures and a past member of Hope Air's B.O.D.



Christopher Barnard – President

As a founder of PCOM, Chris is responsible for corporate strategy, corporate development and investor relations. He led Point's three corporate acquisitions: MilePoint, PointsHound and Crew Marketing.



Peter Lockhard – Chief Operating Officer

As the COO, Peter focuses on long-term strategic planning and execution for Points. He's responsible for revenue generation and business operations, including Point's commercial teams, IT teams and lines of businesses.



Erick Georgiou – Chief Financial Officer

During his tenure at Points as both Controller and VP of Finance, Erick has overseen accounting and external reporting, business planning and analysis, treasury, tax and risk management.



Chris Boyd –Head of Product

With his extensive travel industry experience includes 8 years in product development roles at Switchfly and 8 years at Travelocity, Chris lead the product team at Points. Previously, he oversaw product development and marketing analytics at PointsHound, which he co-founded and is acquired by Point in 2014.

Drivers	1. Sign new partnerships	2. Cross-sell existing partners	3. Drive growth
Accelerators	a. Geographic expansion	b. New verticals	c. Corporate development